

BOYNE CITY HOUSING COMMISSION
BOYNE CITY, MICHIGAN

FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004
AND
REPORTS ON INTERNAL CONTROL AND
COMPLIANCE

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <i>Bayne City Housing Commission</i>		County <i>Charlevoix</i>
Audit Date <i>9/20/04</i>	Opinion Date <i>3/17/05</i>	Date Accountant Report Submitted to State: <i>5/19/05</i>		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☒ yes ☐ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <i>Barry E. Gaudette, CPA, PC</i>			
Street Address <i>1107 E. 9th Street</i>	City <i>Haverhill</i>	State <i>MI</i>	ZIP <i>49606</i>
Accountant Signature <i>Barry E. Gaudette CPA</i>			

BOYNE CITY HOUSING COMMISSION
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INTRODUCTION

Barry E. Gaudette, CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT

1107 East Eighth Street
Traverse City, Michigan 49686
(231) 946-8930
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Independent Auditor's Report

Board of Commissioners
Boyne City Housing Commission
Boyne City, Michigan

We have audited the accompanying financial statements of net assets of the Boyne City Housing Commission, Michigan (a component unit of the City of Boyne City) as of September 30, 2004, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Housing Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Boyne City Housing Commission, Michigan, as of September 30, 2004, and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2005 on our consideration of Boyne City Housing Commission, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Boyne City Housing Commission
Independent Auditor's Report
Page Two

Management's Discussion and Analysis is not a required part of the financial statements, but is supplementary information the Government Accounting Standards Board requires. We applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion thereon.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Financial Data Schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Housing Commission. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Housing Commission has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, as of September 30, 2004.

Barry E. Faudette, CPA, PC

March 17, 2005

BOYNE CITY HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
September 30, 2004
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The Boyne City Housing Commission, created in 1967, by the City of Boyne City provides housing to meet the community's needs for affordable low-income housing. As management of the Housing Commission, we offer readers this narrative overview and analysis of the financial activities of the Housing Commission for the fiscal year ended September 30, 2004. We encourage readers to consider the information presented here in conjunction with the Housing Commission's financial statements.

Financial Highlights

The financial statements for Boyne City Housing Commission consists of five programs. The first is owned housing, consisting of 79 units of public housing, the second is the capital funding program, the third is Housing Choice Voucher Program, consisting of subsidies for 60 qualifying low-income residents for rental housing, the fourth is the Business Activities Fund that includes an existing program the Housing Commission took over from the former Charlevoix-Emmet Housing Coalition, and the fifth consists of two mortgages secured by vacant land.

Boyne City Housing Commission had total revenues of \$738,066 that includes \$202,200 in rental payments and \$477,446 in federal assistance. Total revenues decreased by \$55,798, in part, because revenues from the Development Fund decreased by \$45,652 and tenant rents decreased by \$10,507 from the prior year. Total operating expenses were \$875,826, that includes \$236,608 in administrative expenses, \$195,531 in maintenance expenses, \$202,195 in housing assistance payments, and \$135,647 in depreciation expense. The operating expenses increased by \$66,631, in part, because of taking over the Charlevoix-Emmet Housing Coalition transition houses and an increase in wages and benefits, because of adding a maintenance and administrative position and health insurance increases.

The assets of the Housing Commission exceeded its liabilities at the close of the most recent fiscal year by \$2,095,022. The Housing Commission's total net assets decreased by \$140,418 compared to the prior year. The decrease can be attributed, in part, to the depreciation expense of \$135,647.

The assets of the Housing Commission were \$2,520,510 and also, there was \$278,452 of current assets and \$183,682 in current liabilities. There was a net decrease in total assets of \$61,042 from the prior year. The decrease is due, in part, because of the increase in operating expenses and the decrease in nonoperating revenues. The Housing Commission's overall financial condition has remained stable.

BOYNE CITY HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
(CONTINUED)

September 30, 2004

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Overview of the Financial Statements

The financial statements included in this annual report are those of a special-purpose government engaged only in a business-type activity. The following statements are included:

- * Statement of Net Assets - reports on the Housing Commission's current financial resources with capital and other assets and other liabilities.
- * Statement of Revenues, Expenses, and Changes in Fund Net Assets - reports the Housing Commission's operating and non-operating revenues, by major source along with operating and non-operating expenses and capital contributions.
- * Statement of Cash Flows - reports the Housing Commission's cash flows from operating, investing, capital, and non-capital activities.

Financial Analysis of the Housing Commission

The following combined condensed balance sheets show a summary of changes for the years ended September 30, 2004 and 2003.

	<u>2004</u>	<u>2003</u>	<u>Net Change</u>
Current assets	\$ 278,452	\$ 309,554	\$(31,102)
Property and equipment	<u>2,242,058</u>	<u>2,271,998</u>	<u>(29,940)</u>
Total assets	<u>\$2,520,510</u>	<u>\$2,581,552</u>	<u>\$(61,042)</u>
Current liabilities	\$ 183,682	\$ 141,651	\$ 42,031
Noncurrent liabilities	<u>241,806</u>	<u>204,461</u>	<u>37,345</u>
Total liabilities	<u>425,488</u>	<u>346,112</u>	<u>79,376</u>
Net assets:			
Invested in capital assets	2,242,058	1,585,485	656,573
Unrestricted net assets	<u>(147,036)</u>	<u>649,955</u>	<u>(796,991)</u>
Total net assets	<u>2,095,022</u>	<u>2,235,440</u>	<u>(140,418)</u>
Total liabilities and net assets	<u>\$2,520,510</u>	<u>\$2,581,552</u>	<u>\$(61,042)</u>

BOYNE CITY HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
(CONTINUED)

September 30, 2004

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Financial Analysis of the Housing Commission (continued)

The following table summarizes the Statement of Revenues, Expenses and Changes in Net Assets of the Housing Commission for the years ended September 30, 2004 and 2003.

	<u>2004</u>	<u>2003</u>	<u>Net Change</u>
Operating revenues:			
Dwelling rent	\$ 202,000	\$ 212,257	\$(10,257)
Nondwelling rent	<u>200</u>	<u>450</u>	<u>(250)</u>
Total operating revenues	<u>202,200</u>	<u>212,707</u>	<u>(10,507)</u>
Operating expenses:			
Administration	236,608	210,457	26,151
Tenant services	4,451	5,208	(757)
Utilities	43,391	36,599	6,792
Ordinary maintenance and operation	195,531	166,266	29,265
General expenses	49,549	42,446	7,103
Extraordinary maintenance	8,454	19,550	(11,096)
Casualty losses		1,000	(1,000)
Housing assistance payments	202,195	189,380	12,815
Depreciation	<u>135,647</u>	<u>138,289</u>	<u>(2,642)</u>
Total operating expenses	<u>875,826</u>	<u>809,195</u>	<u>66,631</u>
Operating income(loss)	<u>(673,626)</u>	<u>(596,488)</u>	<u>(77,138)</u>
Non-operating revenue (expense):			
Interest income	2,235	4,656	(2,421)
Other income	40,003	81,077	(41,074)
Gain/loss on sale of fixed assets	20	(1,830)	1,850
Operating grants	477,446	497,254	(19,808)
Other government grants	<u>16,162</u>	<u></u>	<u>16,162</u>
Total nonoperating revenue (expense)	<u>535,866</u>	<u>581,157</u>	<u>(45,291)</u>
Prior period adjustments	<u>(2,658)</u>	<u>10,220</u>	<u>(12,878)</u>
Change in net assets	<u><u>\$(140,418)</u></u>	<u><u>\$(5,111)</u></u>	<u><u>\$(135,307)</u></u>

FINANCIAL STATEMENTS

BOYNE CITY HOUSING COMMISSION
COMBINED STATEMENT OF NET ASSETS
September 30, 2004
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ASSETS

Current Assets:

Cash	\$ 79,998
Accounts receivable	42,329
Allowance for doubtful accounts	(6,257)
Investments-unrestricted	55,500
Prepaid expenses	5,837
Inventory	225
Due from other programs	<u>100,820</u>

Total Current Assets	<u>278,452</u>
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Property, Plant, and Equipment:

Land	793,267
Buildings	3,132,934
Equipment	<u>144,739</u>
	4,070,940
Less: accumulated depreciation	<u>(1,828,882)</u>

Net Property, Plant, and Equipment	<u>2,242,058</u>
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Total Assets	<u><u>\$ 2,520,510</u></u>
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See notes to financial statements

BOYNE CITY HOUSING COMMISSION
COMBINED STATEMENT OF NET ASSETS (CONTINUED)
September 30, 2004
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LIABILITIES and NET ASSETS

Current Liabilities:	
Accounts payable	\$ 5,870
Tenant security deposit liability	22,358
Accrued expenses	44,346
Deferred revenues	1,418
Current portion of long-term debt	3,156
Other current liabilities	5,714
Due to other programs	<u>100,820</u>
Total Current Liabilities	<u>183,682</u>
Noncurrent Liabilities:	
Accrued compensated absences	41,158
Long-term debt	199,011
Noncurrent liabilities-other	<u>1,637</u>
Total noncurrent liabilities	<u>241,806</u>
Total Liabilities	<u>425,488</u>
Net Assets:	
Invested in capital assets	2,242,058
Unrestricted net assets	<u>(147,036)</u>
Total Net Assets	<u>2,095,022</u>
Total Liabilities and Net Assets	<u>\$ 2,520,510</u>

See notes to financial statements

BOYNE CITY HOUSING COMMISSION
COMBINED STATEMENT OF ACTIVITIES
 Year Ended September 30, 2004
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OPERATING REVENUES:

Dwelling rent	\$ 202,000
Nondwelling rent	<u>200</u>
Total operating revenues	<u>202,200</u>

OPERATING EXPENSES:

Administration	236,608
Tenant services	4,451
Utilities	43,391
Ordinary maintenance and operation	195,531
General expenses	49,549
Extraordinary maintenance	8,454
Housing assistance payments	202,195
Depreciation	<u>135,647</u>
Total operating expenses	<u>875,826</u>

Operating income(loss)	<u>(673,626)</u>
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NONOPERATING REVENUES AND (EXPENSES):

Investment interest income	2,235
Other income	40,003
Gain/loss on sale of fixed assets	20
Operating grants	477,446
Other government grants	<u>16,162</u>

Total nonoperating revenues(expenses)	<u>535,866</u>
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Net income (loss)	(137,760)
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Prior period adjustments, equity transfers and correction of errors	<u>(2,658)</u>
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Change in net assets	(140,418)
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Net assets, beginning	<u>2,235,440</u>
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Net assets, ending	<u>\$ 2,095,022</u>
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See notes to financial statements

BOYNE CITY HOUSING COMMISSION
COMBINED STATEMENT OF CASH FLOWS
Year Ended September 30, 2004
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CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from dwelling rents	\$ 199,184
Cash payments to other suppliers of goods and services	(397,674)
Cash payments to employees for services and benefits	(310,383)
Cash payments for in lieu of property taxes	(15,260)
Net cash (used) by operating activities	(524,133)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Adjustments	(2,658)
Tenant security deposits	4,903
Operating grants	450,362
Other government grants	16,162
Other revenue	67,057
Net cash provided by noncapital financing activities	535,826
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Loan proceeds	30,720
Gain on sale of fixed assets	20
Payments for capital acquisitions	(105,707)
Net cash (used) by capital and related financing activities	(74,967)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Receipts of interest and dividends	4,094
Proceeds from investments maturing	96,544
Net cash provided by investing activities	100,638
Net increase(decrease) in cash	37,364
Cash, beginning	42,634
Cash, ending	<u>\$ 79,998</u>

See notes to financial statements

BOYNE CITY HOUSING COMMISSION
COMBINED STATEMENT OF CASH FLOWS (CONTINUED)
Year Ended September 30, 2004
=====

SCHEDULE RECONCILING OPERATING INCOME TO NET
CASH FLOW FROM OPERATING ACTIVITIES:

Operating income(loss)	\$(673,626)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:	
Depreciation expense	135,647
Bad debt expensed	2,070
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable-tenants	(3,016)
Prepaid expenses	(843)
Inventory	718
Increase (decrease) in liabilities:	
Accounts payable-trade	(5,491)
Accrued wage/payroll taxes payable	3,500
Accrued compensated absences	10,786
Accrued interest payable	92
Noncurrent liabilities	4,781
Deferred revenues	<u>1,249</u>
 Net cash (used) by operating activities	 <u><u>\$(524,133)</u></u>

See notes to financial statements

BOYNE CITY HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS
September 30, 2004
=====

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Boyne City Housing Commission (the Housing Commission) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Housing Commission's accounting policies are described below.

The Reporting Entity

The Boyne City Housing Commission is a component unit of the City of Boyne City, a Michigan home rule city. The Housing Commission is a Public Housing Agency created by the City of Boyne City on January 30, 1967, consisting of a five member board appointed by the City Manager and charged with the responsibility to provide and service housing to meet the community's needs for affordable low-income housing. These financial statements include all of the resources and activities of the Boyne City Housing Commission over which the Commission exercises operational control or which have financial significance to the Commission. The Housing Commission has no component units.

BCHC Nonprofit Housing Corporation - The Housing Commission formed a non-profit housing corporation on September 12, 2000, the B.C.H.C. Non Profit Housing Corp to own .01% of the capital of the BCHC LDHA Limited Partnership. The B.C.H.C. Non Profit Housing Corp is the General Partner of the Partnership and the NDC Corporate Equity Fund III LP partnership is a limited partner and has a 99.99% share of capital. BCHC LDHA Limited Partnership has constructed low-income housing on property obtained from the Boyne City Housing Commission. The housing complex "Deer Meadows" is operated by the partnership and is managed by the Housing Commission. Financial statements of the BCHC LDHA Limited Partnership are available from the Executive Director of the Boyne City Housing Commission.

Grants and Other Intergovernmental Revenues

The Housing Commission has entered into contracts with the U.S. Department of Housing and Urban Development (HUD). Under Contract C-3096, the Housing Commission constructed, maintains and operates 79 units of subsidized housing in the City of Boyne City, Michigan. Under Contract C-8119, the Housing Commission manages a Housing Choice Voucher program of subsidies for 60 qualifying low-income residents for rental housing. The Housing Commission receives an

BOYNE CITY HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2004
=====

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants and Other Intergovernmental Revenues (Continued)

annual operating subsidy determined under a performance formula for units owned by the Housing Commission and an administrative fee based on the number of households it assists under its Housing Choice Voucher program.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Housing Commission. For the most part, the effect of the interfund activity has been removed from these statements. The Housing Commission only has *business-type activities*, which rely to a significant extent on fees and charges for support.

The Housing Commission is considered a major individual Enterprise Fund.

Fund Accounting

The accounts of the Housing Commission are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, equity, revenues, and expenses. The Housing Commission's fund structure includes only proprietary funds. Under generally accepted accounting principles, proprietary funds are grouped into two broad categories - enterprise and internal service funds. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered through user charges; or (b) where laws or regulations require that the activity's costs of providing services including capital costs (such as depreciation or debt service) be recovered with fees and charges rather than with taxes and similar revenues. All of the Housing Commission's funds are operated as enterprise type proprietary funds whereby costs of services are to be recovered through user charges or subsidies from other governmental units.

BOYNE CITY HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2004
=====

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus. The Housing Commission's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

Under the economic resources measurement focus, all assets and all liabilities (whether current or noncurrent) are included in the statement of net assets of the individual funds. Their reported net assets are segregated into invested capital assets and unrestricted net assets components. Operating statements present increases (revenues) and decreases (expenses) in net assets.

Under the accrual basis of accounting, all revenues are recorded when earned, regardless of when received, and all expenses are recorded when a liability is created, regardless of when paid.

In accordance with Governmental Accounting Standards Board Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Boyne City Housing Commission has elected to apply only those Financial Accounting Standards Board Statements issued prior to November 30, 1989 to its proprietary funds and to the proprietary funds of its component units.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Housing Commission considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Insurance

The premiums on all major insurance policies are charged to prepaid insurance and amortized over the life of the policy.

Budgets and Budgetary Accounting

The Housing Commission is required under each of its HUD contracts to adopt an annual operating budget which must be approved by HUD. Budgetary data and comparison of actual and planned performance is reported directly to HUD based on specific program reporting requirements.

BOYNE CITY HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2004
=====

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables

All receivables are reported at their net value, reflecting where appropriate, by the estimated portion that is expected to be uncollectible. The Housing Commission estimates the uncollectible portion of tenant rents as a percentage of gross tenant rents using prior collection experience.

Inventory

Inventory is priced using the average cost method.

Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds. Receivables and payables arising from these transactions are classified as "due from other funds" and "due to other funds" on the statement of net assets.

Fixed Asset Capitalization

Fixed assets with a cost to acquire or construct of \$600 or more are capitalized and depreciated over their estimated useful lives. Depreciation is provided on a straight-line basis using the following estimate of useful lives:

Buildings	40 years
Equipment and furnishings	5 - 10 years
Building improvements	10 - 15 years

Net Assets

The Housing Commission classifies its net assets as follows:

- a. Invested in capital assets net of related debt represents all fixed assets acquired by the Housing Commission (both pre-FY 2001 and post FY 2001) reduced by accumulated depreciation and related capital projects debt issued to purchase those assets.
- b. Unrestricted net assets indicate that portion of net assets which is available for use in future periods.

BOYNE CITY HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2004
=====

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating Revenues and Expenses

The Housing Commission includes in operating revenues resources that are derived or received from exchange transactions. Resources derived principally from non-exchange transactions are excluded from operating income. Operating expenses include the cost of providing services, excluding depreciation. Depreciation, amounts expended for capital additions and amounts expended for retirement-of-debt are excluded from operating expenses. Depreciation expense is charged to invested in capital assets rather than unrestricted net assets.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires the use of management estimates. The Housing Commission uses estimates of useful lives of its fixed assets and other estimates in preparing its financial statements. Actual results may differ from the Housing Commission's estimates.

Vacation and Sick Leave

The Housing Commission's staff are employees of the City of Boyne City which establishes personnel policies including accrual and use of vacation and sick leave. Accumulated unpaid vacation and sick leave are recorded as liabilities when incurred. Under the City of Boyne City benefit plan, unpaid vacation is payable upon termination and is recognized as a current liability. Unpaid sick leave is payable only at retirement, at a rate of 1 1/2% per year up to a maximum of 90 days after the employee has served 10 years or more. Accumulated sick leave is recorded as a non-current liability.

Post Employment Benefits

All regular full-time employees of the City of Boyne City are required to join the Michigan Employees Retirement System (MERS), a State of Michigan retirement plan. Employee contributions established under the plan are 3% of the first \$4,200 of employee pay and 5% of all gross pay over \$4,200. The City pays a matching contribution on a quarterly basis, plus an amount necessary to fund the existing unfunded actuarial liability.

BOYNE CITY HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2004
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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

As a component unit of a Michigan home rule city, the Housing Commission is exempt from federal and state income taxes. The Housing Commission has no unrelated business income.

NOTE 2: CASH

Cash balances of the Housing Commission are maintained in authorized depositories fully insured by the FDIC. For purposes of the "Statement of Cash Flows", the Housing Commission's cash includes only unrestricted cash available for operating purposes. The Housing Commission has no cash equivalents.

NOTE 3: INVESTMENTS

Investments include certificates of deposit and cash balances that are restricted and not generally available to meet general program expenses. Investments at September 30, 2004 were as follows:

Low Rent Program

Certificate of Deposit	\$50,000
Capitalized interest	\$ 3,863
Issue date	December 19, 2001
Maturity date	March 31, 2005
Interest rate	2.3%

Voucher Program

Money Market Checking	\$1,637
Interest rate	0.45%

HUD authorizes the Housing Commission to invest in certificates of deposit, money-market funds, United States government securities, and repurchase agreements fully collateralized by United States government securities.

The Housing Commission's investments are categorized below to give an indication of the level of risk assumed by the entity at year end.

BOYNE CITY HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2004
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NOTE 3: INVESTMENTS (Continued)

Category 1: Includes deposits that are insured, registered, or for which the collateral securities are held by the Housing Commission or its agent in the Housing Commission's name. This includes FDIC or equivalent insurance coverage.

Category 2: Includes deposits for which the collateral securities are held by the dealer's trust department or agent in the Housing Commission's name.

Category 3: Includes all uninsured and uncollateralized deposits.

For all deposits shown below, the market value at the balance sheet date is substantially the same as the carrying value. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit. At various times during the year, the Housing Commission's deposits may have been higher than the September 30, 2004, balances detailed below. This means that the Housing Commission's risk and exposure could have been higher at these times. The Housing Commission had no significant type of deposits during the year not included below.

<u>Depository Balances by Category</u>					<u>Carrying Value</u>
<u>Depository</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>Total</u>	
Bank of Northern Michigan	\$ 53,863	\$	\$	\$ 53,863	\$ 53,863
Huntington Bank	<u>1,637</u>			<u>1,637</u>	<u>1,637</u>
Total Investments	<u>\$ 55,500</u>	<u>\$</u>	<u>\$</u>	<u>\$ 55,500</u>	<u>\$ 55,500</u>

NOTE 4: RECEIVABLES AND PAYABLES

Tenant Accounts Receivable

Tenant accounts receivable are recorded at gross amount and reduced by the estimated amount uncollectible. At September 30, 2004, the receivables were \$9,159 with \$6,257 estimated as uncollectible. Bad debt expense was \$2,070.

BOYNE CITY HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2004
=====

NOTE 4: RECEIVABLES AND PAYABLES (Continued)

Inter-fund Receivables and Payables

Interfund receivables and payables are recorded as "due from other programs" and "due to other programs".

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
Low Rent Program	\$ 84,478	Low Rent Program	\$ 13,021
Development Fund	13,021	Housing Choice Vouchers	
Business Activities		Program	21,424
Fund	3,321	Development Program	3,321
		Business Activities	
		Fund	63,054
	<u>\$100,820</u>		<u>\$100,820</u>

Due from HUD

Due from HUD represents advanced funding that was less than the Housing Commission's actual expenses for the programs financed. Balances at September 30, 2004 were as follows:

Housing Choice Voucher Program \$21,942

Due from BCHC LDHA LP

The Housing Commission's Development Fund had outstanding receivables of \$11,228 at September 30, 2004 from the BCHC Limited Dividend Housing Association LP (BCHC LDHA LP) arising from an agreement entered into on October 20, 2000. Under the agreement, the Housing Commission sold 3.5 acres of land to the limited partnership for \$54,000. Additionally, the limited partnership agreed to reimburse the Housing Commission \$115,059.23 for pre-construction costs and to make certain infrastructure improvements that benefit the parcel sold as well as the remainder of the development property owned by the Housing Commission. The BCHC LDHA LP constructed a 30-unit multifamily low income-housing complex (Deer Meadows) on the property acquired. The complex was financed principally through marketing of "low income housing tax credits" and is managed under contract with an independent management company specializing in managing housing financed with low income housing tax credits.

BOYNE CITY HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2004
=====

NOTE 4: RECEIVABLES AND PAYABLES (Continued)

Due to City of Boyne City

The City of Boyne City makes disbursements to the Housing Commission's staff for compensation and payments to vendors for employee benefits, worker's compensation insurance, vehicle insurance, telephone, and miscellaneous costs. On a periodic basis, the City bills the Housing Commission for actual compensation and vendor payments made on behalf of the Housing Commission. During the year ended September 30, 2004, the City paid compensation of \$211,086 and employee benefits of \$119,479. At September 30, 2004, the amounts due the City of Boyne City for these costs were:

Low Rent Program \$27,484

NOTE 5: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2004 was as follows:

	<u>Balance</u> <u>09/30/03</u>	<u>Additions/Retirements/</u> <u>Transfers</u>	<u>Transfers</u>	<u>Balance</u> <u>09/30/04</u>
Low Rent Program				
Land	\$ 390,293	\$ 157,695	\$	\$ 547,988
Buildings	2,778,394	312,370		3,090,764
Furniture, equip. & machinery - dwellings	13,130			13,130
Furniture, equip. & machinery - administration	<u>73,258</u>	<u>56,353</u>		<u>129,611</u>
	3,255,075	<u>\$ 526,418</u>	<u>\$</u>	3,781,493
Less accumulated depreciation	<u>(1,613,266)</u>	<u>\$(212,891)</u>	<u>\$</u>	<u>(1,826,157)</u>
Total	<u>\$1,641,809</u>			<u>\$1,955,336</u>
CIAP Program				
Construction in progress	\$ 462,881	<u>\$</u>	<u>\$ 462,881</u>	\$
Less accumulated depreciation	<u>(77,971)</u>		<u>\$ 77,971</u>	
Total	<u>\$ 384,910</u>			<u>\$</u>

BOYNE CITY HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2004
=====

NOTE 5: CAPITAL ASSETS (Continued)

Housing Choice Voucher Program

	<u>Balance</u> <u>09/30/03</u>	<u>Additions/Retirements/</u> <u>Transfers</u>	<u>Transfers</u>	<u>Balance</u> <u>09/30/04</u>
Furniture, equip. and machinery- administration	\$ 1,998	\$	\$	\$ 1,998
	1,998	\$	\$	1,998
Less accumulated depreciation	(1,998)	\$		(1,998)
Total	\$			\$
Business Activities				
Fund				
Buildings	\$	\$ 42,170	\$	\$ 42,170
		\$ 42,170	\$	42,170
Less accumulated depreciation		\$ (727)		(727)
Total	\$			\$ 41,443
Development Fund				
Land	\$ 245,279	\$	\$	\$ 245,279
Combined Totals	\$2,271,997			\$2,242,058

The Development Fund has vacant land that is retained by the Housing Commission to meet future low-income housing and other needs consistent with its mission.

NOTE 6: SCHEDULE OF INVESTMENT IN CAPITAL ASSETS

Changes in the investment in capital assets (formerly contributed capital) in the enterprise fund type for the year ended September 30, 2004, consist of the following:

Balance, beginning	<u>Invested in</u> <u>Capital Assets</u>
Investment in fixed assets, net of depreciation paid for from operations net of depreciation, not included in contributed capital	\$ 1,585,485
Balance, ending	656,573
	<u>\$ 2,242,058</u>

BOYNE CITY HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2004
=====

NOTE 7: LONG-TERM DEBT

Business Activities Fund

The Housing Commission has taken on a loan with the Huntington National Bank with a balance of \$39,517.87 owing, a maturity date of May 14, 2009 and an interest rate of 6.5%. The security for this loan are the buildings taken over from the Charlevoix-Emmet Housing Coalition this past fiscal year.

Development Fund

The Housing Commission's Development Fund has two mortgage notes with local banks secured by vacant land. One note (Series A) has an original issue amount of \$96,000 at 8.5% with semi-annual interest payments and an annual principal payment of \$500. The loan is for a five year period, maturing October 10, 2017. The note balance at September 30, 2004 was \$36,342. The second note (Series B) was for \$144,000 at 6.375% with semi-annual interest payments and an annual principal payment of \$1,000. This note is a five-year note maturing October 10, 2017. The note balance at September 30, 2004 was \$126,307. Interest charges totaled \$7,664 for the year ended September 30, 2004. On October 10, 2002, the Housing Commission renewed these notes at variable interest rates with the Series A note at an effective rate of 5.875% and the Series B note at an effective rate of 4.125%. Annual principal payments remain at \$500 and \$1,000, respectively. The notes are renewable at five-year intervals with renegotiated rates of interest.

Debt principal requirements for the ensuing five-year period are as follows:

2005	\$ 1,500
2006	1,500
2007	1,500
2008	1,500
2009	1,500
Thereafter	<u>155,149</u>
	<u>\$ 162,649</u>

NOTE 8: SEGMENT INFORMATION

The Housing Commission is a single purpose Enterprise Fund which provides housing assistance and grant programs. Segment information for the year ended September 30, 2004, was as follows:

BOYNE CITY HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2004
=====

NOTE 8: SEGMENT INFORMATION (Continued)

Condensed Combined Statement of Activities

Dwelling rents	\$ 202,000
Nondwelling rents	200
Depreciation expense	(135,647)
Other operating expenses	(740,179)
Operating(loss)	(673,626)
Nonoperating revenues(expenses):	
Investment earnings	2,235
Other income	40,003
Gain/loss on sale of fixed assets	20
Operating grants	477,446
Other government grants	16,162
Net income (loss)	(137,760)
Prior period adjustments	(2,658)
Change in net assets	(140,418)
Beginning net assets	2,235,440
Ending net assets	<u>\$2,095,022</u>

Condensed Combined Statement of Cash Flows

Net cash provided (used) by:	
Operating activities	\$(524,133)
Noncapital financing activities	535,826
Capital and related financing activities	(74,967)
Investing activities	100,638
Net increase (decrease)	37,364
Beginning cash	42,634
Ending cash	<u>\$ 79,998</u>

NOTE 9: OTHER INFORMATION

A. Current Vulnerability Due to Certain Concentrations

The Housing Commission operates in a heavily regulated environment. The operations of the Housing Commission are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice to inadequate funding to pay for the related cost, including the additional administrative burden to comply with a change.

BOYNE CITY HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2004
=====

NOTE 9: OTHER INFORMATION (Continued)

B. Pension Plan

The Housing Commission staff are employees of the City of Boyne City. Each employee is covered under a defined benefit plan with the Michigan Municipal Employees Retirement System that provides for annual employer and employee contributions with complete vesting after 8 years of service. At December 31, 2003, the date of the last completed actuarial evaluation, the Housing Commission's actual liability for retirement benefits was \$599,273 (employer and employee combined). Assets available to meet this obligation were \$478,452. The Housing Commission makes monthly contributions of \$1,511 (employer) at the rate of 3.25% (of unfunded accrued liability) and 5.84% (of normal cost) of payroll to cover the employer's cost for current benefits. The Housing Commission made total (employer and employee) retirement contributions of \$25,851 on covered wages of \$199,475 during the year ended September 30, 2004. There are seven (7) active employees and 1 retiree and beneficiary. There is an underfunded balance of \$120,821 as of December 31, 2003.

C. Risk Management and Litigation

The Housing Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters for which it obtains coverage from commercial companies. The Housing Commission has had no settled claims resulting from these risks that exceed their commercial coverage in the current year or the three prior fiscal years.

D. Implementation of New Accounting Standard

As of and for the year ended September 30, 2004, the Housing Commission implemented GASB Statement Number 34 - *Basic Financial Statements - and Management's Discussion and Analysis - State and Local Governments*. The more significant changes required by the standard include a Management Discussion and Analysis; government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting; fund financial statements, consisting of a series of statements that focus on a governments' major funds; and schedules to reconcile the fund financial statements to the government-wide financial statements.

BOYNE CITY HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2004
=====

NOTE 9: OTHER INFORMATION (Continued)

D. Prior Period Adjustments, Equity Transfers and
Correction of Errors

Low Rent Program

Prior year adjustment of shared costs	\$(6,491)
Equity transferred on closed CIAP 910-98	<u>384,910</u>
	<u>\$ 378,419</u>

CIAP Program

Transfer equity on completed CIAP 910-98	<u>\$(384,910)</u>
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Housing Choice Vouchers

Prior year HUD settlement adjustment FY 2003	<u>\$(1,911)</u>
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Business Activities Fund

Equity transfer from Charlevoix-Emmet Housing Coalition	<u>\$ 5,744</u>
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NOTE 10: COMMITMENTS

Note 1 describes the Housing Commission's involvement with the BCHC LDHA Limited Partnership by the creation of the BCHC Nonprofit Housing Corporation. The Partnership was audited by other auditor's and the notes included the following:

Note 4 - Long-Term Debt

Long-term debt was \$835,579 (net of current portion of \$6,500) and 4841,418 (net of current portion of \$6,000) at December 31, 2004 and 2003, respectively. There are two mortgages of \$645,000 and \$210,000 at December 31, 2003. The mortgage balance of \$645,000 is with Citizens Bank, bearing interest at 8.5%. The mortgage is being amortized using a 30 year period with a maturity date of May 5, 2022. The \$210,000 mortgage is a deferred loan at an interest rate to be determined. No payments are due until completion of the first mortgage. Both mortgages are secured by substantially all assets of the partnership, with the deferred loan being subordinated. The deferred loan is from Boyne City Housing Commission, parent organization of the general partner.

SUPPLEMENTARY INFORMATION

BOYNE CITY HOUSING COMMISSION
COMBINING STATEMENT OF NET ASSETS
 September 30, 2004
 =====

C-3096	
Low Rent	CIAP
Program	Program
<u>14.850</u>	<u>14.852</u>

ASSETS

Current assets:

Cash	\$ 54,658	\$
Accounts receivable	9,147	
Allowance for doubtful accounts	(6,257)	
Investments-unrestricted	53,863	
Prepaid expenses	5,500	
Inventories	225	
Due from other programs	<u>84,478</u>	
Total current assets	<u>201,614</u>	

Property, plant, and equipment:

Land	547,988	
Buildings	3,090,764	
Equipment	<u>142,741</u>	
	3,781,493	
Less accumulated depreciation	<u>(1,826,157)</u>	
Net property, plant and equipment	<u>1,955,336</u>	

Total Assets	<u>\$2,156,950</u>	<u>\$</u>
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<u>Capital Fund Program 14.872</u>	<u>Housing Choice Vouchers 14.871</u>	<u>Business Activities</u>	<u>Development Fund</u>	<u>Totals</u>
\$	\$ 4,510	\$ 7,564	\$ 13,266	\$ 79,998
	21,942	12	11,228	42,329
	1,637			(6,257)
		337		55,500
				5,837
				225
		<u>13,021</u>	<u>3,321</u>	<u>100,820</u>
	<u>28,089</u>	<u>20,934</u>	<u>27,815</u>	<u>278,452</u>
			245,279	793,267
	<u>1,998</u>	42,170		3,132,934
	1,998	<u>42,170</u>	<u>245,279</u>	<u>144,739</u>
	(1,998)	(727)		4,070,940
				(1,828,882)
		<u>41,443</u>	<u>245,279</u>	<u>2,242,058</u>
<u>\$</u>	<u>\$ 28,089</u>	<u>\$ 62,377</u>	<u>\$ 273,094</u>	<u>\$ 2,520,510</u>

BOYNE CITY HOUSING COMMISSION
COMBINING STATEMENT OF NET ASSETS (CONTINUED)
 September 30, 2004

=====

	C-3096 Low Rent Program <u>14.850</u>	CIAP Program <u>14.852</u>
LIABILITIES and NET ASSETS		
Current liabilities:		
Accounts payable	\$ 5,620	\$
Tenant security deposit liability	20,278	
Accrued expenses	39,854	
Deferred revenues	937	
Current portion of long-term debt		
Other current liabilities		
Due to other programs	<u>13,021</u>	
Total current liabilities	<u>79,710</u>	
Noncurrent liabilities:		
Accrued compensated absences	36,471	
Long-term debt		
Noncurrent liabilities-other		
Total noncurrent liabilities	<u>36,471</u>	
Total liabilities	<u>116,181</u>	
Net assets:		
Invested in capital assets	1,955,336	
Unrestricted net assets	<u>85,433</u>	
Total net assets	<u>2,040,769</u>	
Total Liabilities and Net Assets	<u>\$2,156,950</u>	<u>\$</u>

<u>Capital Fund Program 14.872</u>	<u>Housing Choice Vouchers 14.871</u>	<u>Business Activities</u>	<u>Development Fund</u>	<u>Totals</u>
\$	\$ 205	\$	\$ 45	\$ 5,870
		2,080		22,358
	3,085	114	1,293	44,346
		481		1,418
		1,656	1,500	3,156
		5,714		5,714
<u></u>	<u>21,424</u>	<u>3,321</u>	<u>63,054</u>	<u>100,820</u>
<u></u>	<u>24,714</u>	<u>13,366</u>	<u>65,892</u>	<u>183,682</u>
	1,193		3,494	41,158
<u></u>	<u>1,637</u>	<u>37,862</u>	<u>161,149</u>	<u>199,011</u>
<u></u>	<u>2,830</u>	<u>37,862</u>	<u>164,643</u>	<u>241,806</u>
<u></u>	<u>27,544</u>	<u>51,228</u>	<u>230,535</u>	<u>425,488</u>
<u></u>	<u>545</u>	<u>41,443</u>	<u>245,279</u>	<u>2,242,058</u>
<u></u>	<u>545</u>	<u>(30,294)</u>	<u>(202,720)</u>	<u>(147,036)</u>
<u></u>	<u>545</u>	<u>11,149</u>	<u>42,559</u>	<u>2,095,022</u>
<u>\$</u>	<u>\$ 28,089</u>	<u>\$ 62,377</u>	<u>\$ 273,094</u>	<u>\$ 2,520,510</u>

BOYNE CITY HOUSING COMMISSION
**COMBINING STATEMENT OF REVENUE, EXPENSES AND
 CHANGES IN NET ASSETS**
 Year Ended September 30, 2004

=====

	C-3096 Low Rent Program <u>14.850</u>	CIAP Program <u>14.852</u>
OPERATING REVENUES:		
Dwelling rent	\$ 195,787	\$
Nondwelling rent	<u>200</u>	<u> </u>
Total operating revenues	<u>195,987</u>	<u> </u>
OPERATING EXPENSES:		
Administration	177,357	
Tenant services	4,451	
Utilities	43,391	
Ordinary maintenance and operation	189,390	
General expenses	33,909	
Extraordinary maintenance	8,454	
Housing assistance payments		
Depreciation	<u>134,920</u>	<u> </u>
Total operating expenses	<u>591,872</u>	<u> </u>
Operating income(loss)	<u>(395,885)</u>	<u> </u>
NONOPERATING REVENUES AND (EXPENSES):		
Investment interest income	2,164	
Other income	13,044	
Gain/loss on sale of fixed assets	20	
Operating grants	56,458	
Other government grants		
Operating transfers in (out)	<u>188,485</u>	<u> </u>
Total nonoperating revenues (expenses)	<u>260,171</u>	<u> </u>
Net income (loss)	<u>(135,714)</u>	
Prior period adjustments, equity transfers and correction of errors	<u>378,419</u>	<u>(384,910)</u>
Change in net assets	242,705	(384,910)
Net assets, beginning	<u>1,798,064</u>	<u>384,910</u>
Net assets, ending	<u>\$2,040,769</u>	<u>\$</u>

<u>Capital Fund Program 14.872</u>	<u>Housing Choice Vouchers 14.871</u>	<u>Business Activities</u>	<u>Development Fund</u>	<u>Totals</u>
\$	\$	\$ 6,213	\$	\$ 202,000
				200
		<u>6,213</u>		<u>202,200</u>
	30,353	2,877	26,021	236,608
				4,451
		5,896	245	43,391
		7,476	8,164	195,531
				49,549
	202,195			8,454
		<u>727</u>		202,195
				<u>135,647</u>
	<u>232,548</u>	<u>16,976</u>	<u>34,430</u>	<u>875,826</u>
	<u>(232,548)</u>	<u>(10,763)</u>	<u>(34,430)</u>	<u>(673,626)</u>
	45	6	20	2,235
			26,959	40,003
188,485	232,503			20
		16,162		477,446
<u>(188,485)</u>				<u>16,162</u>
	<u>232,548</u>	<u>16,168</u>	<u>26,979</u>	<u>535,866</u>
		5,405	(7,451)	(137,760)
	<u>(1,911)</u>	<u>5,744</u>		<u>(2,658)</u>
	(1,911)	11,149	(7,451)	(140,418)
	<u>2,456</u>		<u>50,010</u>	<u>2,235,440</u>
<u>\$</u>	<u>\$ 545</u>	<u>\$ 11,149</u>	<u>\$ 42,559</u>	<u>\$ 2,095,022</u>

BOYNE CITY HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS
 Year Ended September 30, 2004
 =====

	Low Rent Program <u>14.850</u>	CIAP Program <u>14.852</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from dwelling rents	\$ 192,983	
Cash payments to other suppliers of goods and services	(166,713)	
Cash payments to employees for services and benefits	(261,721)	
Cash payments for in lieu of property taxes	<u>(15,260)</u>	
Net cash (used) by operating activities	<u>(250,711)</u>	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Adjustments	(6,491)	
Tenant security deposits	2,823	
Due from other funds	(17,636)	
Due to other funds	13,021	
Operating grants	56,458	
Operating transfers in (out)	188,485	
Other government grants		
Other revenue	<u>24,476</u>	
Net cash provided by noncapital financing activities	<u>261,136</u>	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Loan proceeds		
Gain on sale of fixed assets	20	
Payments for capital acquisitions	<u>(63,537)</u>	
Net cash (used) by capital and related financing activities	<u>(63,517)</u>	
CASH FLOWS FROM INVESTING ACTIVITIES:		
Receipts of interest and dividends	4,023	
Proceeds from investments maturing	<u>96,137</u>	
Net cash provided by investing activities	<u>100,160</u>	
Net increase (decrease) in cash	47,068	
Cash, beginning	<u>7,590</u>	
Cash, ending	<u>\$ 54,658</u>	<u>\$</u>

<u>Capital Fund Program 14.872</u>	<u>Housing Choice Vouchers 14.871</u>	<u>Business Activities</u>	<u>Development Fund</u>	<u>Totals</u>
\$	\$	\$ 6,201	\$	\$ 199,184
	(210,668)	(7,812)	(12,481)	(397,674)
	(22,902)	(2,465)	(23,295)	(310,383)
				(15,260)
	(233,570)	(4,076)	(35,776)	(524,133)
	(1,911)	5,744		(2,658)
		2,080		4,903
		(13,021)	(3,321)	(33,978)
188,485	11,606	3,321	6,030	33,978
(188,485)	205,419			450,362
		16,162		16,162
			42,581	67,057
	215,114	14,286	45,290	535,826
		39,518	(8,798)	30,720
		(42,170)		20
				(105,707)
		(2,652)	(8,798)	(74,967)
	45	6	20	4,094
	407			96,544
	452	6	20	100,638
	(18,004)	7,564	736	37,364
	22,514		12,530	42,634
<u>\$</u>	<u>\$ 4,510</u>	<u>\$ 7,564</u>	<u>\$ 13,266</u>	<u>\$ 79,998</u>

BOYNE CITY HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
 Year Ended September 30, 2004
 =====

C-3096	
Low Rent	CIAP
Program	Program
<u>14.850</u>	<u>14.852</u>

**SCHEDULE RECONCILING OPERATING INCOME
 TO NET CASH FLOW FROM OPERATING
 ACTIVITIES:**

Operating income(loss)		\$ (395,885) \$
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:		
Depreciation	134,920	
Bad debts	2,070	
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable-tenants	(3,004)	
Prepaid expenses	(506)	
Inventory	718	
Increase (decrease) in liabilities:		
Accounts payable-trade	(4,835)	
Accrued wage/payroll taxes payable	6,112	
Accrued compensated absences	8,931	
Accrued interest payable		
Noncurrent liabilities		
Deferred revenues	<u>768</u>	
Net cash (used) by operating activities		<u><u>\$ (250,711) \$</u></u>

<u>Capital Fund Program 14.872</u>	<u>Housing Choice Vouchers 14.871</u>	<u>Business Activities</u>	<u>Development Fund</u>	<u>Totals</u>
\$	\$ (232,548)	\$ (10,763)	\$ (34,430)	\$ (673,626)
		727		135,647
				2,070
		(12)		(3,016)
		(337)		(843)
				718
	(455)		(201)	(5,491)
	(316)		(2,296)	3,500
	682		1,173	10,786
		114	(22)	92
	(933)	5,714		4,781
		<u>481</u>		<u>1,249</u>
<u>\$</u>	<u>\$ (233,570)</u>	<u>\$ (4,076)</u>	<u>\$ (35,776)</u>	<u>\$ (524,133)</u>

BOYNE CITY HOUSING COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND NOTES TO THE SCHEDULE OF FEDERAL AWARDS
Year Ended September 30, 2004
=====

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

<u>Fiscal</u> <u>Year</u>	<u>Federal Grantor</u>	<u>CFDA No.</u>	<u>Expenditures</u>
	<u>U.S. Department of HUD</u>		
	<u>Public and Indian Housing</u> <u>Nonmajor - Direct Program</u>		
2004	Low Rent Public Housing	14.850	\$ 56,458
	<u>Public and Indian Housing</u> <u>Nonmajor - Direct Program</u>		
2004	Capital Fund Program	14.872	188,485
	<u>Low Income Public Housing</u> <u>Nonmajor - Direct Program</u>		
2004	Housing Choice Vouchers	14.871	<u>232,504</u>
	Total		<u>\$ 477,447</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

NOTE 1: Significant Accounting Policies

The schedule of federal awards has been prepared on the accrual basis of accounting.

CFDA = Catalog of Federal Domestic Assistance

BOYNE CITY HOUSING COMMISSION

FINANCIAL DATA SCHEDULE

Year Ended September 30, 2004

=====

FDS Line Item No.		C-3096 Low Rent Program <u>14.850</u>	CIAP Program <u>14.852</u>
	ASSETS		
	Current Assets:		
	Cash:		
111	Cash-unrestricted	\$ 54,658	\$
100	Total cash	<u>54,658</u>	
	Receivables:		
122	A/R-HUD other projects		
125	A/R-miscellaneous		
126	A/R-tenants-dwelling rents	9,147	
126.1	Allowance for doubtful accounts - dwelling rents	(6,257)	
120	Total receivables, net of allowance for doubtful accounts	<u>2,890</u>	
	Current Investments:		
131	Investments-unrestricted	53,863	
132	Investments-restricted		
	Total investments	<u>53,863</u>	
	Other Current Assets:		
142	Prepaid expenses and other assets	5,500	
143	Inventories	225	
144	Interprogram due from	<u>84,478</u>	
	Total other current assets	<u>90,203</u>	
150	Total current assets	<u>201,614</u>	
	Noncurrent Assets:		
	Fixed Assets:		
161	Land	547,988	
162	Buildings	3,090,764	
163	Furn, equip & mach-dwellings	13,130	
164	Furn, equip & mach-admin.	129,611	
166	Accumulated depreciation	<u>(1,826,157)</u>	
160	Total fixed assets, net of accumulated depreciation	<u>1,955,336</u>	
180	Total noncurrent assets	<u>1,955,336</u>	
190	Total Assets	<u>\$ 2,156,950</u>	<u>\$</u>

Capital Fund Program 14.872	Housing Choice Vouchers 14.871	Business Activities	Development Fund	Totals
\$	\$ 4,510	\$ 7,564	\$ 13,266	\$ 79,998
	4,510	7,564	13,266	79,998
	21,942			21,942
		12	11,228	11,228
				9,159
				(6,257)
	21,942	12	11,228	36,072
	1,637			53,863
	1,637			1,637
	1,637			55,500
		337		5,837
		13,021	3,321	225
		13,358	3,321	100,820
	28,089	20,934	27,815	106,882
				278,452
		42,170	245,279	793,267
	1,998			3,132,934
	(1,998)	(727)		13,130
				131,609
				(1,828,882)
		41,443	245,279	2,242,058
		41,443	245,279	2,242,058
\$	\$ 28,089	\$ 62,377	\$ 273,094	\$ 2,520,510

BOYNE CITY HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
 Year Ended September 30, 2004
 =====

FDS Line Item No.		C-3096 Low Rent Program <u>14.850</u>	CIAP Program <u>14.852</u>
LIABILITIES AND EQUITY			
	Liabilities:		
	Current Liabilities:		
312	Accounts payable<=90 days	\$ 5,620	\$
321	Accrued wages/payroll taxes payable	27,484	
322	Accrued compensated absences	12,370	
325	Accrued interest payable		
341	Tenant security deposits	20,278	
342	Deferred revenues	937	
343	Current portion of long-term debt -capital projects		
345	Other current liabilities		
347	Interprogram due to	<u>13,021</u>	
310	Total current liabilities	<u>79,710</u>	
	Noncurrent Liabilities:		
351	Long-term debt-capital projects		
354	Accrued compensated absences	36,471	
353	Noncurrent liabilities-other		
	Total noncurrent liabilities	<u>36,471</u>	
300	Total liabilities	<u>116,181</u>	
	Equity:		
508.1	Invested in capital assets, net of related debt	1,955,336	
512.1	Unrestricted net assets	<u>85,433</u>	
513	Total equity/net assets	<u>2,040,769</u>	
600	Total Liabilities and Equity/Net Assets	<u>\$ 2,156,950</u>	<u>\$</u>

<u>Capital Fund Program 14.872</u>	<u>Housing Choice Vouchers 14.871</u>	<u>Business Activities</u>	<u>Development Fund</u>	<u>Totals</u>
\$	\$ 205	\$	\$ 45	\$ 5,870
	1,841			29,325
	1,244		885	14,499
		114	408	522
		2,080		22,358
		481		1,418
		1,656	1,500	3,156
		5,714		5,714
<u> </u>	<u>21,424</u>	<u>3,321</u>	<u>63,054</u>	<u>100,820</u>
<u> </u>	<u>24,714</u>	<u>13,366</u>	<u>65,892</u>	<u>183,682</u>
		37,862	161,149	199,011
	1,193		3,494	41,158
<u> </u>	<u>1,637</u>	<u> </u>	<u> </u>	<u>1,637</u>
<u> </u>	<u>2,830</u>	<u>37,862</u>	<u>164,643</u>	<u>241,806</u>
<u> </u>	<u>27,544</u>	<u>51,228</u>	<u>230,535</u>	<u>425,488</u>
		41,443	245,279	2,242,058
<u> </u>	<u>545</u>	<u>(30,294)</u>	<u>(202,720)</u>	<u>(147,036)</u>
<u> </u>	<u>545</u>	<u>11,149</u>	<u>42,559</u>	<u>2,095,022</u>
<u>\$</u>	<u>\$ 28,089</u>	<u>\$ 62,377</u>	<u>\$ 273,094</u>	<u>\$ 2,520,510</u>

BOYNE CITY HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
 Year Ended September 30, 2004

FDS Line Item No.		C-3096 Low Rent Program <u>14.850</u>	CIAP Program <u>14.852</u>
	Revenue:		
703	Net tenant rental revenue	\$ 195,787	\$
704	Tenant revenue-other	<u>200</u>	
705	Total tenant revenue	195,987	
706	HUD PHA grants	56,458	
708	Other government grants		
711	Investment income-unrestricted	2,164	
715	Other revenue	13,044	
716	Gain/loss on sale of fixed assets	<u>20</u>	
700	Total revenue	<u>267,673</u>	
	Expenses:		
	Administrative:		
911	Administrative salaries	87,252	
912	Auditing fees	1,500	
914	Compensated absences	8,932	
915	Employee benefit contributions-adm.	46,797	
916	Other operating-administrative	32,876	
	Tenant services:		
924	Tenant services-other	4,451	
	Utilities:		
931	Water	14,320	
932	Electricity	9,851	
933	Gas	19,220	
	Ordinary maintenance and operation:		
941	Ordinary maint & oper-labor	87,796	
942	Ordinary maint & oper-mat'ls & other	30,605	
943	Ordinary maint & oper-contract costs	25,002	
945	Employee benefit contributions- ordinary maintenance	45,987	
	General expenses:		
961	Insurance premiums	16,579	
962	Other general expenses		
963	Payments in lieu of taxes	15,260	
964	Bad debt-tenant rents	2,070	
967	Interest expense		
969	Total operating expenses	<u>448,498</u>	
970	Excess operating revenue over operating expenses	<u>(180,825)</u>	

Capital Fund Program 14.872	Housing Choice Vouchers 14.871	Business Activities	Development Fund	Totals
\$	\$	\$ 6,213	\$	\$ 202,000
				200
188,485	232,503	6,213		202,200
		16,162		477,446
	45	6	20	16,162
			26,959	2,235
				40,003
				20
<u>188,485</u>	<u>232,548</u>	<u>22,381</u>	<u>26,979</u>	<u>738,066</u>
	15,022	1,774	15,000	119,048
	500		500	2,500
	682		1,172	10,786
	7,564	691	6,000	61,052
	6,585	412	3,349	43,222
				4,451
				14,320
				9,851
				19,220
		4,242		92,038
			245	30,605
				25,247
		1,654		47,641
		1,558		18,137
		4,919	500	5,419
				15,260
				2,070
		999	7,664	8,663
	30,353	16,249	34,430	529,530
<u>188,485</u>	<u>202,195</u>	<u>6,132</u>	<u>(7,451)</u>	<u>208,536</u>

BOYNE CITY HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
 Year Ended September 30, 2004
 =====

FDS Line Item No.		C-3096 Low Rent Program <u>14.850</u>	CIAP Program <u>14.852</u>
	Expenses continued:		
	Other expenses:		
971	Extraordinary maintenance	8,454	
973	Housing assistance payments		
974	Depreciation expense	<u>134,920</u>	
	Total other expenses	<u>143,374</u>	
900	Total expenses	<u>591,872</u>	
	Excess (deficiency) of operating revenue over (under) expenses before other financing sources (uses)	(324,199)	
	Other Financing Sources (Uses):		
1001	Operating transfers in (out)	<u>188,485</u>	
1000	Excess (deficiency) of operating revenue over (under) expenses	(135,714)	
1103	Beginning Equity	1,798,064	384,910
1104	Prior period adjustments, equity transfers and correction of errors	<u>378,419</u>	<u>(384,910)</u>
	Ending Equity	<u>\$ 2,040,769</u>	<u>\$</u>

<u>Capital Fund Program 14.872</u>	<u>Housing Choice Vouchers 14.871</u>	<u>Business Activities</u>	<u>Development Fund</u>	<u>Totals</u>
				8,454
	202,195			202,195
		727		135,647
	<u>202,195</u>	<u>727</u>		<u>346,296</u>
	<u>232,548</u>	<u>16,976</u>	<u>34,430</u>	<u>875,826</u>
188,485		5,405	(7,451)	(137,760)
<u>(188,485)</u>				
		5,405	(7,451)	(137,760)
	2,456		50,010	2,235,440
	<u>(1,911)</u>	<u>5,744</u>		<u>(2,658)</u>
<u>\$</u>	<u>\$ 545</u>	<u>\$ 11,149</u>	<u>\$ 42,559</u>	<u>\$2,095,022</u>

**Report on Compliance and on Internal Control Over
Financial Reporting Based on an Audit of
Financial Statements Performed in Accordance
with Government Auditing Standards**

Board of Housing Commissioners
Boyne City Housing Commission
Boyne City, Michigan

We have audited the financial statements of the Boyne City Housing Commission, Michigan, (Housing Commission) as of and for the year ended September 30, 2004, and have issued our report thereon dated March 17, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Housing Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Housing Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements

Report on Compliance and on Internal Control
In Accordance with Government Auditing Standards
Boyne City Housing Commission
Page Two

Internal Control Over Financial Reporting - Continued

in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. We have noted other matters involving the internal control over financial reporting that we have reported to management of the Housing Commission in a separate letter dated March 17, 2005.

This report is intended solely for the information and use of the audit committee, Board of Housing Commissioners, management, others within the organization, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Bary E. Lundberg, CPA, PC

March 17, 2005

BOYNE CITY HOUSING COMMISSION
INDEPENDENT AUDITORS' REPORTS
ON COMMUNICATIONS WITH THE
AUDIT COMMITTEE/BOARD OF COMMISSIONERS
AND
MANAGEMENT ADVISORY COMMENTS

SEPTEMBER 30, 2004

BOYNE CITY HOUSING COMMISSION
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SEPTEMBER 30, 2004

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**INDEPENDENT AUDITORS' REPORT ON
COMMUNICATIONS WITH THE AUDIT COMMITTEE/
BOARD OF COMMISSIONERS**

To the Board of Commissioners
Boyne City Housing Commission

We have audited the financial statements of the Boyne City Housing Commission ("Housing Commission") as of and for the year ended September 30, 2004, and have issued our report, thereon, dated March 17, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we communicate certain matters to your audit committee or its equivalent. These communications are reported in the following paragraphs.

Auditors' Responsibilities Under Auditing Standards Generally Accepted in the United States of America - In planning and performing our audit of the financial statements, we considered your internal control in order to determine our auditing procedures for purposes of expressing our opinion on the financial statements and not to provide assurance on your internal control. Also, an audit conducted under auditing standards generally accepted in the United States of America is designed to obtain a reasonable, rather than absolute, assurance about the financial statements.

Significant Accounting Policies - The significant accounting policies used in the preparation of your financial statements are discussed in Note 1 to the financial statements. There were no audit adjusting journal entries and no controversial accounting issues.

Management Judgments and Accounting Estimates - Significant management judgments and accounting estimates are disclosed in the notes to the financial statements.

Other Information in Documents Containing Audited Financial Statements - All the information included in the financial statements document has been audited and our responsibilities are addressed in the Independent Auditors' Report.

**INDEPENDENT AUDITORS' REPORT ON COMMUNICATIONS WITH THE
AUDIT COMMITTEE - CONTINUED**

Audit Adjustments - For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Housing Commission's financial reporting process (that is, cause future financial statements to be materially misstated). The attached audit adjustments, in our judgment, indicate matters that could have a significant effect on the Housing Commission's financial reporting process (see page 7 showing the audit adjusting journal entries).

Disagreements With Management - For purposes of this letter, professional accounting standards define disagreement with management as a matter concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the audit.

Consultations With Other Accountants - To our knowledge, management has not consulted with other accountants regarding auditing and accounting matters.

Major Issues Discussed With Management Prior to Retention - There was no discussions regarding the application of accounting principles or auditing standards with management prior to our retention as your auditor.

Difficulties Encountered in Performing the Audit - There were no difficulties encountered in performing the audit. The staff was very cooperative and helpful.

This report is intended solely for the information and use of the audit committee or its equivalent and management and is not intended to be and should not be used by anyone other than these specified parties.

We shall be pleased to discuss any of the matters referred to in this letter. Should you desire more information on the above communications, we would welcome the opportunity to discuss them with you.

Bary E. Vandell, CPA, PC

March 17, 2005

Barry E. Gaudette, CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT

1107 East Eighth Street
Traverse City, Michigan 49686
(231) 946-8930
Fax (231) 946-1377

**INDEPENDENT AUDITORS' REPORT ON
MANAGEMENT ADVISORY COMMENTS**

To the Board of Commissioners
Boyne City Housing Commission

We have audited the financial statements of the Boyne City Housing Commission ("Housing Commission") as of and for the year ended September 30, 2004, and have issued our report, thereon, dated March 17, 2005. We have also issued compliance reports and reports on the internal control in accordance with *Government Auditing Standards*. These reports disclosed no material instances of noncompliance, weaknesses and reportable conditions.

Other matters involving the Housing Commission's operations and internal control, which came to our attention during the audit, are reported on the following pages as management advisory comments.

We would like to take this opportunity to acknowledge the many courtesies extended to us by the Housing Commission's personnel during the course of our work.

We shall be pleased to discuss any of the matters referred to in this letter. Should you desire assistance in implementing any of the following suggestions, we would welcome the opportunity of assisting you in these matters.

Barry E. Gaudette, CPA, P.C.

March 17, 2005

BOYNE CITY HOUSING COMMISSION
MANAGEMENT ADVISORY COMMENTS
September 30, 2004
=====

Tenant Deposits

The deposit ticket is reviewed by someone other than the employee that makes the deposit, but is not initialed that it was reviewed.

We recommend that the Housing Commission have the employee that does not make the deposit review the deposit ticket and then after the deposit ticket receipt is brought back, this employee should review that the deposit is the correct amount and also initial the deposit ticket receipt.

Staff comment: The deposits are reviewed by the Executive Director before they are made. Another staff person makes the deposit and the Executive Director tracks the deposit online at Huntington Banks website as well as in Quicken. A third person, who does not make the deposit reviews TARs to confirm that all tenant rents are correct and deposits have been made. The Executive Director or the person tracking the TARs will begin to also initial the ticket.

Board Commissioner signature and approval

Checks require two signatures, the Executive Director and a Board Commissioner. After the invoices are approved for payment and signed by the Executive Director, a Board Commissioner will then sign the checks, but it is not clear to us that the Board member is reviewing the invoices.

We recommend that the Board Commissioner at the time the checks are signed, that he/she also review the supporting documentation.

Staff comment: The staff member who writes the checks has the invoices and statements available for review. The Commissioner who signs the checks may request to review any and all invoices/statements when they sign the checks.

BOYNE CITY HOUSING COMMISSION
MANAGEMENT ADVISORY COMMENTS (CONTINUED)
September 30, 2004
=====

Approval for Payment of Invoices

Currently the Housing Commission has three(3) steps of internal controls for the approval for payment of invoices. The checks are prepared by someone other than the check signer, the Executive Director reviews the supporting documentation before approving the disbursement and signing the check and a Board Commissioner also signs the checks.

Although, the Board members are provided detailed financial statements at the Board meetings, it is not clear that a listing of the checks paid are available. We believe that this additional step provides an important internal control for the proper disbursement of funds.

Staff Comment: The listing of checks and any financial statements are available for Board review at any time.

Invoices

The Housing Commission invoices are currently stamped "check number, paid and date", but not any other markings after approved for payment by the Executive Director and Board Commissioner.

We recommend that the Executive Director stamp the invoices with a "approve or deny" stamp before the Board Commissioner signs the checks. Also, before the check is mailed to the payee, the Housing Commission should continue marking the invoice with a "paid and date paid" stamp. These markings will prevent an invoice from being paid twice and provide another control on approval.

Staff comment: When the checks are given to a Housing Commissioner, they are reviewed by the Executive Director for the following:

1. To make sure the amount is correct.
2. To determine if the payment is from the correct amount.
3. To check for double payment.
4. If there are any questions concerning the payment it is reviewed with the person who wrote the check.

If the check is found incorrect, it is voided and recut if necessary.

BOYNE CITY HOUSING COMMISSION
MANAGEMENT ADVISORY COMMENTS (CONTINUED)
September 30, 2004
=====

Acceptance of Cash

Currently the Housing Commission accepts cash, checks and money orders.

We recommend that the Housing Commission consider adopting a "no cash accepted" policy. There may be some exceptions allowed as determined by the Board.

Staff comment: We are considering complying with this recommendation, however, we are concerned with creating a policy which will cost our residents. Many do not have a checking account because they cannot afford the monthly charges. The same applies for purchasing a money order or certified check.

Social Security Cards

Currently the Housing Commission will make a copy of the social security card for tenants and applicants if provided one for the tenant file.

We recommend that the Housing Commission require that a social security card be provided by all tenants/applicants as required by CFR 5.216(a)(1) and a copy be filed in the tenant's file.

Staff comment: All new move-ins are required to present a Social Security Card. As reviews are conducted, if there is no Social Security card on file, it must be supplied prior to completing the review. A picture ID is also required.

BOYNE CITY HOUSING COMMISSION
ADJUSTING JOURNAL ENTRIES
September 30, 2004
=====

<u>Account #</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
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There were no adjusting journal entries necessary.